

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Hillsdale County Parks Commission	County Hillsdale
Audit Date 12/31/05	Opinion Date 4/26/06	Date Accountant Report Submitted to State: 6/7/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

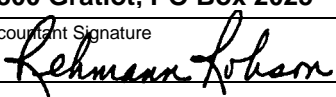
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 5800 Gratiot, PO Box 2025		City Saginaw	State MI
Accountant Signature 		ZIP 48605	Date 6/7/06

HILLSDALE COUNTY PARK COMMISSION

Hillsdale, Michigan

FINANCIAL STATEMENTS

For The Year Ended December 31, 2005



REHMANN ROBSON

Certified Public Accountants

HILLSDALE COUNTY PARK COMMISSION

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

April 26, 2006

Members of the Board of County
Park Commissioners
County of Hillsdale, Michigan
Hillsdale, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **HILLSDALE COUNTY PARK COMMISSION**, a special revenue fund of Hillsdale County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Park Commission's financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hillsdale County Park Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Hillsdale County Park Commission Special Revenue Fund of the County of Hillsdale, Michigan, and do not purport to, and do not present fairly the financial position of the County of Hillsdale, Michigan, and the changes in its financial position in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **Hillsdale County Park Commission** as of December 31, 2005, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Commission has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.



BASIC FINANCIAL STATEMENTS

HILLSDALE COUNTY PARK COMMISSION

STATEMENT OF NET ASSETS AND GENERAL FUND BALANCE SHEET

December 31, 2005

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash and cash equivalents	\$ 23,548	\$ -	\$ 23,548
Accounts receivable	706	-	706
Interest receivable	68		68
Prepaid expense	700		700
Capital assets			
Assets not being depreciated	-	3	3
Assets being depreciated	-	207,993	207,993
<u>TOTAL ASSETS</u>	<u>\$ 25,022</u>	<u>207,996</u>	<u>233,018</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Accounts payable	\$ 207	\$ 5,374	\$ 5,581
Accrued wages and taxes	1,065	-	1,065
Advances and deferred revenue	4,393	-	4,393
Due to other funds of Hillsdale County	5,374	(5,374)	-
Total liabilities	<u>11,039</u>	<u>-</u>	<u>11,039</u>
Fund balance/Net Assets			
Fund balance:			
Unreserved, undesignated	<u>13,983</u>	<u>(13,983)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 25,022</u>		
Net assets			
Investment in capital assets		207,996	207,996
Unrestricted		<u>13,983</u>	<u>13,983</u>
Total net assets		<u>\$ 221,979</u>	<u>\$ 221,979</u>

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARK COMMISSION

Reconciliation of General Fund Balance Sheet to Statement of Net Assets

DECEMBER 31, 2005

Fund balances - General Fund	\$ 13,983
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>207,996</u>
Net assets of governmental activities	<u><u>\$ 221,979</u></u>

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARK COMMISSION

STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Parks and recreation	\$ 72,417	\$ -	\$ 72,417
Parks and recreation capital outlay	135	(135)	-
TOTAL EXPENDITURES/EXPENSES	<u>72,552</u>	<u>(135)</u>	<u>72,417</u>
PROGRAM REVENUES			
Charges for services	36,236	(20,238)	15,998
Operating grants and contributions	<u>25,000</u>	<u>-</u>	<u>25,000</u>
TOTAL PROGRAM REVENUES	<u>61,236</u>	<u>(20,238)</u>	<u>40,998</u>
NET PROGRAM EXPENSES			<u>(31,419)</u>
GENERAL REVENUES			
Interest earned	<u>875</u>	<u>-</u>	<u>875</u>
NET CHANGE IN FUND BALANCES	(10,441)	10,441	-
CHANGES IN NET ASSETS	-	(30,544)	(30,544)
FUND BALANCE/NET ASSETS, Beginning of year	<u>24,424</u>	<u>228,099</u>	<u>252,523</u>
FUND BALANCE/NET ASSETS, End of year	<u>\$ 13,983</u>	<u>\$ 207,996</u>	<u>\$ 221,979</u>

The accompanying notes are an integral part of these financial statements

HILLSDALE COUNTY PARK COMMISSION

Reconciliation of the General Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

YEAR ENDED DECEMBER 31, 2005

Net change in fund balances - General Fund	\$ (10,441)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	135
Deduct - depreciation expense	<u>(20,238)</u>
Change in net assets of governmental activities	<u>\$ (30,544)</u>

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARK COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Parks General Fund

For the Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Community Center and house rentals	\$ 18,000	\$ 16,125	\$ 15,997	\$ (128)
Interest on investments	1,000	900	875	(25)
Contribution from Hillsdale County - regular	35,000	25,000	25,000	-
Miscellaneous	22,500	20,700	20,239	(461)
Total revenues	<u>76,500</u>	<u>62,725</u>	<u>62,111</u>	<u>(614)</u>
Expenditures				
Maintenance and repairs	2,500	2,830	2,557	(273)
Operating	27,600	33,225	31,944	(1,281)
Community Center	23,700	22,025	21,132	(893)
Administrative	19,185	19,835	16,784	(3,051)
Capital outlay	8,000	135	135	-
Total expenditures	<u>80,985</u>	<u>78,050</u>	<u>72,552</u>	<u>(5,498)</u>
Net change in fund balances	<u>(4,485)</u>	<u>(15,325)</u>	<u>(10,441)</u>	<u>4,884</u>
Fund balance, beginning of year	24,424	24,424	24,424	-
Fund balance, end of year	<u>\$ 19,939</u>	<u>\$ 9,099</u>	<u>\$ 13,983</u>	<u>\$ 4,884</u>

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hillsdale County Park Commission (the “Park Commission”) conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Hillsdale County Park Commission, referred to as the Park Commission, is a Special Revenue Fund of the County of Hillsdale, Michigan (“County”), and is used to control the expenditure of revenues from state grants and contributions from other local units of government for work performed by the Park Commission.

Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. *Governmental activities* are supported by charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

As permitted by GASB Statement No. 34, the Park Commission uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The general fund, the sole major governmental fund, is reported as a separate column in the aforementioned financial statements.

Measurement Focus Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (statement of net assets and the statement of activity) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

Governmental fund (general fund) financial statements (general fund balance sheet and general fund revenues, expenditures and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

State and grant revenue, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

This element of the government reporting unit reports the following major governmental fund:

The *parks general operating fund* is this reporting unit's primary operating fund. It accounts for specific revenue sources that are legally restricted to expenditures for the County Park System.

Budgetary Data

The governmental fund is under formal budgetary control. The budget shown in the financial statements is adopted on a basis consistent with generally accepted accounting principles (GAAP), and is not significantly different from the modified accrual basis used to reflect actual results, and consists only of those amounts contained in the formal budget as originally adopted or as amended by the Board of County Park Commissioners. The budget for the Special Revenue Fund is adopted on a functional basis.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Park Commission as assets with an initial cost of \$200 or more and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (general fund statement of general fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund (general fund) column.

The Park Commission provides for recording depreciation in the Parks Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the straight-line method as follows:

	<u>Years</u>
Land improvements	10
Buildings	40
Equipment	5 to 10

2. CASH DEPOSITS AND INVESTMENTS

Deposits

At December 31, 2005, the amount of the Park Commission's deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Petty cash	\$ 20	\$ N/A
Held by Hillsdale County checking and savings accounts	<u>23,528</u>	<u>23,213</u>
	<u>\$ 23,548</u>	<u>\$ 23,213</u>

Statutes authorize the Park Commission to invest funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the listing of authorized investments above. The Park Commission's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Park Commission has no investments at December 31, 2005.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Park Commission's investment policy does not have specific limits in excess of state law on investment credit risk. The Park Commission has no investments at December 31, 2005.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Park Commission's deposits may not be returned. State law does not require and the Park Commission does not have a policy for deposit custodial credit risk. As of December 31, 2005, deposits in the amount of \$23,528 held by Hillsdale County may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the Park Commission.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Park Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Park Commission does not have a policy for investment custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Park Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk. The Park Commission has no investments at December 31, 2005.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

	January 1, 2005	Additions	Deductions	December 31, 2005
Capital assets not being depreciated:				
Land	\$ 3	\$ -	\$ -	\$ 3
Capital assets being depreciated:				
Land improvements	68,559	-	-	68,559
Buildings	319,494	-	-	319,494
Park equipment	20,867	135	225	20,777
Community Center Equipment	10,224	-	-	10,224
Subtotal	419,144	135	225	419,054
Accumulated depreciation:				
Land improvements	39,930	2,899	-	42,828
Buildings	132,969	13,512	-	146,482
Park equipment	9,763	3,191	225	12,730
Community Center Equipment	8,387	635	-	9,022
Total accumulated depreciation and depletion	191,049	20,237	225	211,061
Total capital assets being depreciated - net	228,096	(20,102)	-	207,993
Governmental activities capital assets - net	\$ 228,099	\$ (20,102)	\$ -	\$ 207,996

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